A PERMANENT NATIONAL BANK CIRCULATION.

AN INTERVIEW

BETWEEN THE

COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES,

AND

JOHN JAY KNOX,

President of the National Bank of the Republic, New York City,

ON THE

16TH DAY OF JANUARY, 1890.

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and the amount of said notes shall, from time to time, be charged to "national bank safety fund," as provided in this act. But any deficiency in the proceeds of all the bonds, or coin, or bullion, or of the "national bank safety fund" to pay such circulating notes shall be made good out of the assets and individual liability of shareholders of such insolvent national bank in preference to any and all claims whatsoever, excepting the necessary costs and expenses of the receivership.

SEC. 5. That whenever any of the United States bonds held as security for circulating notes under this act shall cease to bear interest, such bonds, after thirty days' notice to the national banks which had deposited the same, shall be withdrawn and presented to the Secretary of the Treasury for payment, and the avails thereof shall be deposited in gold coin and bullion or silver bullion in place of such bonds as security for such circulating notes.

SEC. 6. That whenever the amount in the "national bank safety fund" provided for in this act reaches the sum of $1,000,000, the same shall be invested by the Secretary of the Treasury in United States registered bonds, and if upon the date of maturity of the United States 4 per cent. bonds the total amount of the said safety fund invested in United States bonds shall equal 5 per cent. of the total circulation then outstanding, the tax upon the circulating notes may be reduced by the Comptroller of the Currency, upon the advice of the Secretary of the Treasury, to one-quarter of 1 per centum semi-annually, and the interest thereafter upon the bonds in which the safety fund shall be invested shall be distributed to the national banks, in proportion to the amount of circulation then outstanding.

The CHAIRMAN. The committee is now ready to hear Mr. Knox. You have been invited here, Mr. Knox, this morning in order that the committee may hear your views upon the subject of the pending bill.

Mr. Knox, after expressing his appreciation of the honor of the invitation to appear before the committee, said:

No better argument in favor of the national banking system can be presented to the committee, than the facts which are contained in the admirable and exhaustive report of the Comptroller of the Currency for 1889. This report contains tables showing the operation of the system each year, since its organization in 1863. One of the principal features of the system is publicity, and the annual report of the Comptroller exhibits in a concise form an answer to nearly every question that can be asked in reference to the condition of the national banks.

If the committee will turn to the report they will find, on pages 232–249, tables showing in detail the aggregate resources and liabilities of the banks at various periods of the year, for each year from October, 1863, to October, 1889.

The latest statement published in that volume exhibits the condition of the banks on September 30, 1889, by reference to which it will be seen that there were 3,290 national banks in operation on that day. Their capital and surplus amounted to more than $800,000,000; their deposits were $1,947,000,000, with $2,000,000,000 of loans to the people and the Government, and $263,000.000 of specie and Treasury notes. Their aggregate circulation on that day was $128,000,000. The highest amount of circulation at any one time was on January 1, 1882, $362,000,000, but of late years it has been voluntarily reduced by the banks.

This reduction has taken place rapidly within the past eight years. In 1881 the circulation was $325,000,000; in 1883, $305,000,000; in 1886, $202,000,000; in 1888, $143,000,000; in 1889, $128,000,000. It will be seen that the reduction since the year 1883 has been $197,000,000.

The total amount of national bank notes outstanding on January 1, 1890, was $197,078,000, of which amount $128,000,000 was secured by $142,000,000 of United States bonds, and the remainder, $68,336,000, by

lawful money on deposit with the Treasurer of the United States, for the purpose of retiring the same.

The reason for the rapid retirement of these notes is, that the national bank circulation has ceased to be profitable and has become a burden, owing to the high price of United States 4 per cent. bonds, which are to-day worth 126 in the market, and the fact that only 90 per cent. of circulation is issued upon the par value of these bonds, leaving 10 per cent. and the premium, unavailable for banking purposes. A still more rapid reduction of the circulation would have taken place except for the legal requirement that all banks having a capital exceeding $200,000 shall hold at least $50,000 of Government bonds, while other banks having a less capital shall hold not less than one-fourth of their respective capitals in such bonds.

Owing to the rapid reduction of the circulation the banks have had on deposit with the Treasurer of the United States since July, 1880, not less than $20,000,000 in gold, for the purpose of retiring their notes. Since January 1, 1886, the amount so held has not been less than $42,-000,000, and since May 1, 1886, not less than $61,000,000. From March, 1887, to March, 1888, the amount was over $100,000,000, and since that period it has at all times exceeded $70,000,000, which large sums on deposit in the Treasury, without interest, have been of great service to the Government in maintaining gold payments.

Mr. WALKER. Have not plans been proposed at various times for preventing the rapid retirement of national bank circulation?

Mr. KNOX. Yes; it has been proposed that the rate of issue on Government bonds should be increased to 100 cents, and such a proposition at one time passed the Senate. Various other propositions have been made, and during the present session of Congress many bills have been introduced with the hope of remedying the difficulty. It has been proposed that State and city bonds—and even that first-mortgage railroad bonds—should be substituted for Government bonds. State and city bonds are already largely held in the vaults of savings banks, insurance and trust companies, and other like institutions, and in the hands of private holders; so that a sufficient amount of State or city debt, even if desirable, could not be easily obtained. The laws of many of the States prohibiting savings banks and insurance companies from making their investments in classes of securities other than State and city issued under authority of other States.

It is proposed that first-mortgage railroad bonds be placed in the vaults of the Treasury in place of the Governments, and a bill of this kind is now before Congress, but the experience of the people in railroad bonds during the period since the close of the war, is not reassuring. It is not probable that Congress will ask the financial officers of the Government, already overburdened with duties, to add to their troubles the importunities of every railroad official in the country to give the preference to the issues of the special corporation which he represents. These importunities would be supplemented by the pressure which would inevitably be brought to bear from every section to secure the use of particular bonds as security for circulation, and neither President nor Secretary nor Comptroller would be rid of such importunities until the request was granted.

Similar persistent requests will be presented from State and city for the employment of their bonds if such a proposition shall become a law, and it is not probable that any law, however carefully phrased, can prevent constant solicitation from interested parties.

Mr. DORSEY. Have you considered the proposition for the issue of a long, low-rate bond for the purpose of securing the notes of the national banks?

Mr. KNOX. Yes, but as the Government at the present time is rapidly reducing its debt it is not probable that it will ask to borrow money when legislation is needed for the purpose of reducing its rapidly increasing surplus. If, however, a low-rate bond be authorized to take the place of the four's, it would facilitate the issue of circulation in the bill under consideration.

A proposition to fund the fours into two-and-one-halfs, or twos, having the same time to run as the fours, would be plausible and judicious, and such a proposition was made by the Comptroller in his report for 1882 and attracted much attention.

The proposition was as follows:

If the whole public debt were reduced to a uniform rate of 3 per cent., the present high premium upon bonds would almost entirely disappear, and the volume of circulation would respond more readily to the demands of business. The temptation to sell such bonds for the purpose of realizing the premium would no longer remain. A proposition for refunding all the bonds not payable at the pleasure of the Government into 3 percents was suggested during the last session of Congress. The proposition is that inducements be offered to the holders of the 4 and 4½ per cent. bonds to surrender them to the Government, receiving in payment therefor 3 per cent. bonds having the same dates of maturity as the bonds which are to be surrendered. The new 3 per cent. bonds issued would themselves bear a small premium, and it is believed that the holders of 4 percents would consent to such an exchange if accompanied by an offer of not more than 15 per cent. premium. The amount of the premium upon this class of bonds, say 7,000,000 now outstanding, at 15 per cent. would be $105,000,000, and this premium could be paid as the bonds are surrendered for exchange from the surplus revenue of the Government, thus in effect reducing the debt of the Government $105,000,000 by a prepayment of interest which must be paid at a greater rate each year until their maturity.

The benefits of this plan both to the holder and to the Government are apparent. The holders would receive, in the shape of 15 per cent. premium on the bonds, a portion of their interest in advance, which would be available for loans at rates greatly exceeding the borrowing power of the Government, which is now less than 3 per cent. The Government would be enabled by this use of its surplus to save a portion of the interest, which otherwise it would be compelled to pay hereafter.

The market price of the 4 per cent. twenty-five-year bonds is now 119.20, which indicates a market estimate of a borrowing rate of interest of 2.92 per cent. per annum to the Government. At this rate the present value of 1 per cent. of interest upon each $100 bond annually for twenty-five years, relinquished by the holder, is $17.70. If the holder accepts $15 as an equivalent for these twenty-five annual payments, instead of $17.70—a reduction of $2.70 from the market estimate of the value—the Government will practically purchase from the holder of the bond at a 4¼ per cent. rate of interest, instead of at $2.92 per cent. In other words, the present value of the twenty-five $1 annual payments relinquished by the holder, when computed at the rate of 2.92 per cent. per annum is worth $17.70; but computed at the rate of 4¼ per cent. is worth only $15, a premium which, it is believed, the holders would be willing to accept; and if the Government be able to invest its surplus revenue at a rate so favorable to itself as 4¼ per cent., there would seem to be good reason for Congress to provide the necessary legislation for authorizing an arrangement which can also be shown to be of advantage to the holders of the 4 per cent. bonds.

This proposition was still more urgently recommended in the Comptroller's report for 1883.

A bill embodying provisions similar to those here suggested was introduced in the Senate on January 14, 1884, by Senator Aldrich, of Rhode Island, and subsequently during the same session a somewhat similar bill was introduced in the House by Hon. Orlando B. Potter, a distinguished Representative of New York, and earnestly advocated by him during two sessions of Congress.

On March 1, 1881, there were $469,000,000 of 5 per cent. bonds outstanding redeemable at the option of the Government after two months, and $202,000,000 of 6 per cent. bonds redeemable after July 1, 1881. The signature of the President was withheld from a refunding bill which authorized the sale of 3 per cent. bonds, for the purpose of providing the means for the payment of these maturing bonds. In this emergency $563,000,000 of these 5 and 6 percents, without any special legislation authorizing the measure, were continued during the administration of President Garfield by Secretary Windom with flattering success, and with the assent of the holders, at 3½ per cent., payable at the option of the Government.

A portion of these bonds amounting to $259,000,000, was subsequently refunded into threes, and the calling of this large amount of threes and three-and-one-halfs, amounting in all to $579,000,000, furnished an outlet for the surplus in the Treasury, so that the necessity for the passage of an act refunding the fours was postponed. In 1886 the circumstances were changed. All the threes and three-and-one-halfs having been called, there was no practical way for reducing the surplus except by purchasing the bonds at a high premium.

To remedy this embarrassing position the Hon. Abram S. Hewitt, on December 13, 1886, just previous to his resignation to accept the more responsible position of mayor of New York City, introduced into Congress a bill for refunding fours into threes, containing new provisions with which doubtless the members of this committee are well acquainted. I venture to say that if this bill had passed Congress during that session the financial machinery of the Government would have run smoothly and noiselessly and to the satisfaction of the people, and there would have been no necessity for the Secretary of the Treasury then or now to purchase fours or four-and-one-halfs at the present high premium. A similar bill was again introduced in the Senate in the year 1887 by Senator Aldrich, and subsequently in the House by the Hon. S. V. White, of Brooklyn, providing for the reduction of $700,000,000 of fours into two-and-one-halfs and the payment in exchange of $167,000,000 of surplus to the holders in exchange for such bonds.

These propositions were excellent, and would have been to the advantage not only of the Government, but of the holders of the bonds, for the reason that the borrowing power of the Government at that time was about 2½ per cent., and the value of money to the holders of the bonds was from 5 to 6 per cent.

According to the computation of the Government Actuary, the equal and exact difference to be paid by the Government in exchanging $738,000,000 of fours, so as to save the Government 2½ per cent. on its money, was about $167,000,000. To those who have not examined the subject, the amount of this payment of interest in advance would seem excessive, but the explanation is that this was a large transaction of

over $700,000,000. The interest upon $700,000,000 for one year at 1 per cent. is $7,000,000, at 1½ per cent. it is $10,500,000; and if this amount be multiplied by the number of years, which was nineteen at that time, the total amount, as may be perceived at a glance, would be $199,500,000. From this amount the Government Actuary deducted the interest on the interest, payable quarterly, which the Government could save by the then use of its surplus.

In 1882 the bonds could have been exchanged for threes at a premium of about 15 per cent., and in 1887 for two-and-one-halfs at a premium of about 23 per cent. Since that time the Government, notwithstanding the lapse of time, has paid as high as 129 for 4 percents, and at the present time is paying 126 for the same bonds, for the purpose of reducing the surplus in the Treasury.

I may add, by way of a parenthesis, that the London Economist, of January 4th last, says that about $2,800,000,000 English consols, 3 percents, or nearly the whole English debt, has recently been converted by Mr. Goschen into two-and-three-fourths, with an agreement for the subsequent reduction to two-and-one-halfs.

If either of these bills had become a law, all of the interest on our bonded debt would have been reduced to 2½ per cent., and the people of the United States would have had the satisfaction of having their public debt bear a lower rate of interest than that of any great nation. The reason these propositions were not favored was that the leading men of both political parties doubted the policy of recommending legislation which should authorize the payment of so large a premium to the bond-holders. The advantage to the Government was clear, but it was thought that it would be difficult to explain to the people a bill for the disbursement of so large a sum to the holders of the public debt.

If bills like these, so manifestly for the interest of the Government, are rejected, there is certainly little hope that any proposition for the refunding of the public debt, or the issue of a bond bearing a low rate of interest, will be passed by Congress, although such legislation would be most desirable.

Mr. ARNOLD. But were not objections raised to authorizing an increase of circulation by the national banks?

Mr. KNOX. Yes; the great objection raised upon the stump and elsewhere to the national bank currency has been that it is necessary to perpetuate a public debt for the benefit of corporations, when the Government could otherwise readily liquidate all its obligations. If this objection can be removed and the debt paid as it matures, and this great system be continued, which has grown up so successfully during the past quarter of a century, is not this consummation desirable? Is it not the part of wisdom to bind together in the interest of the Government these three thousand institutions located in every Territory, and city, and village of this great country? It is admitted that this is desirable, but impossible of attainment. Various propositions have been made for a temporary extension of the system, and during the present session of Congress many bills have been introduced with the hope of remedying this difficulty.

If there is no hope for the refunding of the debt, or the issue of a long low-rate bond at 2 per cent. interest, for temporary relief, if there are not suffic ent State bonds as a basis for circulation, and if the employment of the bonds of municipalities and of railroads is impracticable, either the Government must continue to issue all the paper money of the country, or some other basis and some other plan must be found for the issue of bank currency.

All unprejudiced people agree that the present national banking system is excellent, and should be preserved. The law as it now stands contains no privileges, but many onerous restrictions. Should all these restrictions be rigorously enforced, many banks in New York City and elsewhere would return to the State systems under which they were organized. Many excellent institutions have already gone back to the State systems, under which they were originally organized, on account of the enforcement of burdensome restrictions.

The principal link which holds the banks together is the system of reserves, which authorizes the banks in the smaller cities to deposit one-half of their reserves in the cities of New York, Chicago and St. Louis; while the banks in the country districts are authorized to deposit three-fifths of their reserve in sixteen cities, located in thirteen States of the Union. Aside from this provision there are no legal privileges.

The banks in many cities are, however, taxed enormously for a supposed privilege, while trust companies, insurance companies, telegraph companies, railroad companies, and surety companies, and other similar corporations, escape almost entirely the burden of taxation.

If new banks are organized under this system at the present time it is not because of any privilege, but chiefly for the reason that the character of the system during the last quarter of a century has become so good, that banks organized under it can obtain better credit, a greater amount of deposits, than if organized under the laws of the different States. If the system should be broken up by adverse legislation, or by the rigid enforcement of some existing restrictions, it would be, in the opinion of most financial men, a national disaster.

The English people, who are the slowest of all nations to make changes in their financial system, are to-day discussing earnestly the the propriety—the policy—of organizing in Great Britain a system like our own. The London Economist of December 7, 1889, in referring to a paper of Mr. Inglis Palgrave, one of the most eminent authorities in English finance, says:

> The benefit of local issues was very strongly insisted upon by Mr. R. H. Inglis Palgrave, in the paper on "The Note Circulation," read by him at the meeting of the London Institute of Bankers, on December 7, in which he expressed a decided preference for conferring the right of issue upon all banks, subject to certain provisions for guarantying the perfect security and immediate convertibility of the notes. Mr. Palgrave proposes as security for such issues "a deposit of Government securities exceeding the issue, with an ample margin of value," and he would seemingly leave it to the discretion of the banks themselves to keep a stock of gold sufficient to guaranty their convertibility into coin on demand. Mr. Palgrave points to the note circulation of the national banks of the United States, which are based upon a deposit of Government securities, as proof that under such a system there would be no risk of ultimate loss to the public.
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> But ultimate convertibility is not enough. Immediate convertibility is what is required. Mr. Palgrave would also seem to overlook two securities for immediate re-

demption which the national banks of the United States are compelled to give, but which he would seemingly dispense with here. One is that these banks are bound to keep a reserve of "lawful money" equal to 25 per cent. of their liabilities, and the other that every national bank is bound to receive at par the notes of any other national bank in payment of obligations due it. Knowing how (continuously of late years) our banks have been curtailing their cash reserves, it seems to us imperative that if they are to be invested with the right of note issue, some provision must be made for the maintenance by them of an adequate stock of coin. This end might be obtained by permitting them to issue to the extent of a certain proportion of their paid-up capital upon a deposit of Government securities, and compelling them to hold gold for all issues in excess of that amount, constituting the notes at the same time a first charge upon their assets in the event of liquidation. By thus extending the right of issue all question as to the necessity of granting compensation to existing banks of issue would be avoided. Our own opinion is that they have no legal right to compensation in any case, but certainly they would find it difficult to substantiate even a moral claim; not because they were being deprived of a right possessed by them, but because others were being endowed with a similar right. The question of the exclusive monopoly of the Scotch banks would also settle itself, and the character of our note issue, which at present varies in the different sections of the kingdom, would be rendered uniform. That the State would be entitled to a share in the profits of such an issue goes without saying; but it would be most unwise to burden the circulation with too heavy a tax, for if the banks are to manage the circulation, they must be left to make profit enough out of it to make it worth their while to work it. Obviously, also, a necessary condition of granting or continuing the right of issue to a private bank would be the publication by it of proper accounts. The whole question is, however, so complicated, that our present object is rather to invite discussion than to formulate views of our own. For that there will be ample opportunity before legislation takes place.

The London Statist of the same date also says:

At the Institute of Bankers, on Wednesday evening, Mr. Inglis Palgrave read an interesting paper on note circulation of England and Wales, which raises some very important questions. Mr. Palgrave is dissatisfied with the present banking laws of the country, as who is not who has given serious attention to the matter? He is very strongly against the issue of notes by the Government. He is nearly as strong against the monopoly of a single bank, and he is very decidedly in favor of a great number of banks having the right of issue all over the country. In short, he thinks that the national bank system of the United State is as near perfection as any ever devised. Mr. Palgrave seems to hold that strict regulation of banking by Parliament is necessary. He says a deposit of first-class security equal in amount to the notes in circulation should be at the back of every note issued, and a supply of coin should be provided, so that notes could be changed into gold or silver, at the option of the holder, whenever he desired to do so. Taking this passage into consideration and in connection with his praise of the American banking system, which is very strictly regulated, we presume he means that Parliament should take care that there must be a deposit of first-class security and a reserve of coin.

The Canadian Parliament is discussing the same subject. The capital of the banksin the Dominion of Canada is $60,190,000 and the circulation is $34,900,000, and the system there from the beginning has been a monopoly granted to a few favored individuals. Our own system is also in operation in the more distant Empire of Japan. It would be extraordinary indeed if at this juncture we should abandon this great system when such countries as these look with great favor upon its main features.

There is, in my opinion, but one link which will bind together in one general system institutions like these, organized in every State and city and principal village of the Union, and that is the right to issue circulating notes fully secured and always redeemable in gold coin at a common center. I have not time to enter into the discussion of the advantages of such a system, but if you will bear with me for a moment

I will read a paragraph from the Comptroller's report for 1878, in which he says:

> Few persons have a just conception of the many advantages possessed by a homogeneous currency, fully secured, the issue of a single system, redeemable at a common point, and exempt from the discount occasioned by an irregularity of value in different localities. Great pains have been taken to obtain an estimate of the amount of exchange issued annually upon New York by the Western and Southern States. The amount drawn upon New York alone is estimated at nearly $3,000,000,000 annually, and it probably will not be an exaggeration to say that not less than $4,000,000,000 are annually drawn in exchange by the West and South upon the East. The amounts drawn upon each other by the banks in the commercial cities and States of the East is also great. In 1859 the average cost of Southern and Western exchange upon New York was not less than from 1 to 1½ per cent. If this latter rate should be restored the cost of exchange alone would be $60,000,000 annually, while if the rate would be but one-half of 1 per cent., which was the current rate in the State of New York in the year 1860, a loss in exchange of $20,000,000 annually would ensue, to say nothing of the loss upon the issue of the banks not properly organized.

The repeal of section 3412* of the Revised Statutes, consisting of four lines in the statute book, would restore to each State the right again to authorize the issue of bank notes, which, however safe they might be, would be redeemable at various points, remote from the commercial centers, and precipitate again upon us rates of exchange similar in degree, if not so great in amount, as those to which I have just referred. Bills have frequently been introduced in Congress authorizing the repeal of this section, and a distinguished Senator has recently advocated its repeal though the public press; and during the present session three bills have been introduced with the avowed purpose of abolishing the system.

Mr. Wright: What is your opinion of a circulation based upon the capital and assets of a bank, without other security?

Mr. Knox: It is said that an unsecured note issued by the banking institutions of the country, based upon the assets of the bank and the individual liability of the shareholders, would respond to the demands of business. If the volume was too great the notes would return home for redemption; if the volume was too small a greater amount would be issued. But if elasticity should be obtained at the risk of safety, the mistake would be irreparable. The currency of the State banks previous to the late war was said to be elastic, but unfortunately it was as elastic in value as in volume, and as long as the remembrance of the "wildcat" and other forms of ante-bellum currency remain, there is no danger of an unsecured bank currency being substituted for treasury or bank notes which are perfectly safe.

Those who advocate a system of this kind for the banks composing the national banking system overlook the fact that no system of free banking has ever been successfully organized and continued which permitted the issue of circulating notes by any association of persons, who might desire to found a bank, without adequate security for their issues.

In every case where banks have been organized, like the joint stock banks of England, of Ireland, and of Scotland and of Canada, it

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*Section 3412. Every national banking association, State bank, or State banking association shall pay a tax of 10 per centum on the amount of notes of any person, or of any State bank or State banking association, used for circulation and paid out by them.

is well known that such banks have been authorized under special charters, or by special legislation, for a few favored persons, who were so fortunate as to be able to obtain special privileges not granted to others. Indeed, it is well known that the liability in the Scotch banks, if not in the English, is unlimited, and that upon the failure of such a bank every dollar of the property of each and every stockholder may be taken to pay the debts of the corporation, even though the shareholder should own but one share of $100 in the stock! The system was in effect an authorized partnership and not a corporation with limited liability. The system of unlimited liability for corporations is fast disappearing in every country.

The bill to-day introduced in Congress by the chairman of this committee, providing for a permanent national-bank circulation, would, in my opinion, if it became a law, continue for a century this system of national banks.

The bill provides for the issue of bank circulation in amount not exceeding 75 per cent. of the capital of each bank. Seventy per cent. of this circulation is to be absolutely secured by the deposit of United States bonds at par, or of gold or silver bullion at the market price. The other 30 per cent. is not to be secured by a deposit of each bank, but is to be fully secured by a safety fund on deposit with the Treasurer. This safety fund is to be opened by crediting to the fund $1,000,000 of lost or unredeemed national-bank notes, and reducing the "national-bank note redemption fund" in the same manner as the "fractional currency" has been reduced in the statement of the public debt. The fund will be further increased each half year by adding to it the semi-annual tax of one-half of one per cent. upon circulation. It is estimated that the lost and unredeemed national-bank notes amount to at least 1 per cent. during every twenty years, but less than one-fourth of the amount estimated to be lost is to be placed to the credit of this fund. These lost notes do not belong to the banks that issued them, neither do they belong to the Government. They belong to those persons who were the last holders of the notes, and can not, of course, be restored to them. No other use can so properly be made of them as to appropriate them for creating a safety fund for the redemption of insolvent national bank notes that may not otherwise be provided for. It is not necessary, however, that this appropriation should be used for creating the safety fund, if serious objections are made.

Mr. WALKER. But was not the safety fund principle tried in many of the States previous to the war?

Mr. KNOX. Yes, and a very full account of the safety fund system of the State of New York will be found in the report of the Comptroller for 1876. The safety fund in that State was not an fund increasing for a long series of years, like the one proposed, and it was pledged for the security, not only of the circulating notes, but for all the other debts of an insolvent bank. The banks in that State, as well as those in Ohio and other States, were authorized to issue circulating notes, not only for the full amount of their capital, but for 50, and in some cases 100 per cent. in excess thereof. The Comptroller in his reports for 1882 and 1883 also discussed the idea of a guaranty fund, but the pro-

position was for a fixed, and not an increasing fund. The present proposition differs from all others which have been previously offered, in this respect, that it is a practical combination of our present system of absolute security, with that of the safety fund. It provides in the first place an issue of circulation for only three-fourths the capital; secondly, absolute security for 70 per cent. of that amount, and thirdly, a rapidly increasing and abundant safety fund as security for only 30 per cent. of the circulation; and finally, a pledge of all the assets of an insolvent bank, and the individual liability of its stockholders for the ultimate redemption of its notes.

The practical working of the proposed act will be more readily seen by illustration. If, for instance, we take a bank of $400,000 capital, it will be entitled to but 75 per cent. thereof, or $300,000 of circulation, $105,000 of which must be secured by 4 per cents., and $105,000 by the deposit of gold or silver bullion. From the $90,000 remaining unsecured, must be deducted, first, the premium upon $105,000 United States fours, which at 1.26 would be $27,300, or at 1.20 would be $21,000. There must also be deducted the 5 per cent. redemption fund, which the law requires to be continually kept on deposit with the Treasurer of the United States, amounting to $15,000, making a total of $36,000. Deducting this amount from the $90,000 unsecured circulation of the above bank having a capital of $400,000, we shall have the total unsecured, except by the safety fund, $54,000.

In a total circulation of $300,000,000 the unsecured would be $90,000,000 less 20 per cent. premium on $105,000,000 of fours ($21,000,000) and the 5 per cent. redemption fund of $15,000,000, leaving unsecured $54,000,000 only.

But to properly secure the $90,000,000, apart from the 5 per cent. redemption fund, and the premium upon the bonds, it is provided in section 3 of the bill that the duty upon circulation of one per cent. each year—which both the Secretary and the Comptroller of the Currency recommend shall be reduced to one-fourth of 1 per cent., and which, if there is to be no legislation for the continuance of the circulation, should be repealed—shall be contributed by each bank to form a safety fund.

If the aggregate of the circulation is $300,000,000, the tax contributed by all the banks will be $1,500,000 each half year, or $3,000,000 annually, and this in fifteen years will constitute a safety fund of $45,000,000, not including interest.

The principle of the safety fund in the proposed bill rests upon the well-established fact that at least three-quarters of the national banks are managed with ability and under no circumstances are likely to become insolvent. One hundred and thirty national banks, having an aggregate circulation of $15,000,000, have failed during the last twenty-five years. The average annual circulation of these banks was $600,000. Thirty per cent. of this annual amount is $180,000. It is necessary only to secure this average annual amount of $180,000, which in twenty years would be only $3,600.000, and this is done by semi-annual contributions by the banks of the tax on circulation. If, however, it be estimated that the total amount of insolvent notes which it will be necessary to charge to this fund up to the year 1907 will amount to

$5,000,000; or even if it should be three times that amount, or $15,000,000, we should still have remaining of the aggregate tax of $45,000,000 contributed in fifteen years a net amount of $30,000,000, or exactly one-third of the total unsecured national bank notes.

If the safety fund should by any possibility be exhausted, the unsecured insolvent notes would be entitled to the preference in payment from the assets of the bank and the individual liability of stockholders. While the total of insolvent national bank notes during the last twenty-five years has been $15,000,000, the amount derived from the assets and individual liabilities of insolvent banks has been more than $16,000,000, so that these insolvent notes, if the banking system is conducted as safely in the future as in the past, would be secured without the safety fund. In that case the amount paid to depositors would be reduced, but the safety fund abundantly provides against any loss from this source to depositors in insolvent banks.

Mr. CONGER. But, it may be asked, will the circulation under this bill be sufficiently profitable to insure the co-operation of the banks?

Mr. KNOX. If we take, for example, a bank of $400,000 capital and $300,000 circulation, the profit will be, first, the interest upon $105,000 of United States fours at the realized rate of 2.15 (2.17 is the rate of the Government actuary), amounting to $2,257 annually. Secondly, after deducting from the $90,000 unsecured notes $15,000 (the 5 per cent. redemption fund upon the total authorized circulation of $300,000), there will remain $75,000, on which the interest at 6 per cent. is $4,500, making a total income of $6,757. From this last sum must be deducted the tax of 1 per cent. upon the authorized circulation, viz. $3,000, leaving $3,757, or one and one-fourth per cent. profit on the total circulation issued.

The following table shows the profit on circulation in localities where the rate of interest is 6 per cent. and the method of calculation:

Capital		$400,000
Total authorized circulation (75 per cent.)		300,000
Circulation secured by bonds	$105,000	
Circulation secured by bullion	105,000	
Circulation secured by safety fund	90,000	
		300,000

Profit on circulation.

$105,000 4 per cent. bonds realize 2.15 per cent. per annum		2,257.50
Circulation secured by safety fund	$90,000	
Deduct 5 per cent. redemption fund on total circulation of $300,000	15,000	
	75,000	
$75,000 loaned at 6 per cent. per annum		4,500.00
Total profit on circulation		6,757.50
Deduct 1 per cent. tax on $300,000 circulation		3,000.00
Net profit, one and one-quarter per cent		3,757.50

If the rate of interest upon the unsecured circulation is 7 per cent., the profit will be $4,500, or 1½ per cent. If the rate of interest is 9

per cent., the profit will be 2 per cent. The following table gives the profit on circulation at different rates of interest:

Capital.	Circulation.	Interest 6 per cent.	Per cent. of profit.	Interest 7 per cent.	Per cent. of profit.	Interest 8 per cent.	Per cent. of profit.	Interest 9 per cent.	Per cent. of profit.	Interest 10 per cent.	Per cent. of profit.
$100,000	$75,000	$939.37		$1,126.87		$1,314.37		$1,501.87		$1,689.37	
200,000	150,000	1,878.74		2,253.74		2,628.74		3,003.74		3,378.74	
400,000	300,000	3,757.48	1.25	4,517.48	1.51	5,257.48	1.76	6,007.48	2.00	6,759.48	2.25
500,000	375,000	4,696.85		5,634.35		6,571.85		7,509.35		8,476.85	
1,000,000	750,000	9,393.70		11,268.70		13,143.70		15,018.70		16,893.70	

Under the present system the profit on circulation is greatest, where the interest is least, for the reason that the circulation is all based upon bonds bearing a high premium, and the higher the interest is upon the amount invested in the premium, the less the profit. But under the present system the higher the interest, the greater the profit upon circulation, based upon bullion at par and upon unsecured circulation.

Mr. MORRILL. But what will be the profit upon circulation after the maturity of the bonds?

Mr. KNOX. The proposition abandons at maturity of the fours all right to issue circulating notes based upon Government bonds and substitutes gold and silver bullion therefor. In the year 1907, when the fours mature, the interest upon the $105,000 on bonds held by a bank having $300,000, amounting to $2,150 annually, will cease. To answer this question we must refer to section 6 of the proposed bill:

SEC. 6. That whenever the amount in the "National Bank Safety Fund" provided for in this act reaches the sum of $1,000,000 the same shall be invested by the Secretary of the Treasury in United States registered bonds, and if upon the date of maturity of the United States 4 per cent. bonds the total amount of the said safety fund invested in United States bonds shall equal 5 per cent. of the total circulation then outstanding, the tax upon the circulating notes may be reduced by the Comptroller of the Currency, upon the advice of the Secretary of the Treasury, to one-quarter of one per centum semi-annually, and the interest thereafter upon the bonds in which the safety fund shall be invested shall be distributed to the national banks, in proportion to the amount of circulation then outstanding.

Under the provisions of this section a national bank having a circulation of $300,000 would be entitled to its proportionate interest on $30,000,000 of accumulated safety fund, which at 2 per cent. would be $900. Its tax upon circulation would be reduced from $3,000 to $1,500, leaving its annual income from circulation $3,900, or 1.3 per cent., while the profit, where the rate of interest is 7, 8, or 10 per cent., will be proportionately increased to 1½ or 2 per cent. annually. The following table shows the profit on circulation at different rates of interest:

Capital.	Circulation.	Interest 6 per cent.	Per cent. of profit.	Interest 7 per cent.	Per cent. of profit.	Interest 8 per cent.	Per cent. of profit.	Interest 9 per cent.	Per cent. of profit.	Interest 10 per cent.	Per cent. of profit.
$100,000	$75,000	$975		$1,162.50		$1,350		$1,537.50		$1,725	
200,000	150,000	1,950		2,325.00		2,700		3,075.00		3,450	
400,000	300,000	3,900	1.30	4,650.00	1.55	5,400	1.80	6,150.00	2.05	6,900	2.30
500,000	375,000	4,875		5,812.00		6,950		7,687.50		8,625	
1,000,000	750,000	9,750		11,625.00		13,500		15,375.00		17,250	

If it should be deemed advisable after the year 1907 to increase the profit upon circulation it can readily be done by increasing the amount authorized to be issued from 75 to 80 per cent. upon capital. This would give to a $100,000 bank $5,000 additional circulation, secured only by the safety fund, and to a $400,000 bank $20,000 additional circulation, with a proportionate increase of profit thereon.

This increase of circulation, unsecured except by the safety fund, will also add to the elasticity of the national bank note, which is so desirable, and the amount may be increased or decreased from time to time in accordance with the increase or decrease of the safety fund. There is then no question that the profit on circulation under this plan would be sufficient to induce all the banks now organized, particularly those organized in the country districts, to take our circulation. It would also have the effect to induce State banks to organize as national banks, and thus extend the benefit of the system to those institutions.

The following table shows the comparative profit on circulation at different rates of interest from 6 to 10 per cent., and the percentage of such profit prior to and after 1907:

Capital.	Circulation.	Interest 6 per cent.	Per cent. of profit.	Interest 7 per cent.	Per cent. of profit.	Interest 8 per cent.	Per cent. of profit.	Interest 9 per cent.	Per cent. of profit.	Interest 10 per cent.	Per cent. of profit
$100, 000	$75, 000	$939. 37		$1, 126. 87		$1, 314. 37		$1, 501. 87		$1, 689. 37	
200, 000	150, 000	1, 878. 74		2, 2[illegible]3. 74		2, 628. 74		3, 003. 74		3, 279. 74	
400, 000	300, 000	3, 757. 48	1. 25	4, 517. 48	1. 51	5, 257. 48	1. 76	6, 007. 48	2. 00	6, 759. 48	2. 35
500, 000	375, 000	4, 696. 85		5, 634. 35		6, 571. 85		7, 509. 35		8, 446 85	
1, 000, 000	750, 000	9, 393. 70		11, 268. 70		13, 143. 70		15, 018. 70		16, 893. 70	
AFTER 1907.											
100, 000	75, 000	$975. 00		$1, 162. 50		$1, 350. 00		$1, 537. 50		$1, 725. 00	
200, 000	150. 000	1, 950. 00		2, 325. 00		2, 700. 00		3, 075. 00		3, 450. 00	
400, 000	300, 000	3, 900. 00	1. 30	4, 650. 00	1. 55	5, 400. 00	1. 80	6, 150. 00	2. 05	7, 900. 00	2. 50
500, 000	375, 000	4, 875. 00		5, 812. 50		6, 750. 00		7, 687. 50		8, 625. 00	
1, 000, 000	750, 000	9, 750. 00		11, 625. 00		13, 500. 00		15, 375. 00		17, 250. 00	

The profit will not be large enough to induce banks to organize under the system for the sole purpose of obtaining a profit on circulation, and therefore the dangers of bad banking will not be increased.

The total amount of bonds required to carry out the provisions of this bill with $300,000,000 of circulation will be $105,000,000, of which the banks now hold $97,000,000. This bill will not therefore interfere with the purchase of bonds by the Government.

It is also suggested that the flexibility of the currency could be greatly enhanced in the fall, the busiest season of the year, if the amount of the safety fund were abundantly large. The unsecured circulation except under the safety fund might be increased by judicious legislation at that time from $10,000,000 to $30,000,000 with perfect safety. And when the busy season has passed, this additional circulation could be redeemed and retired, through the operation of the 5 per cent, redemption fund.

Mr. CONGER. Do you propose after the year 1907 to substitute silver bullion in place of the 4 per cent. bonds which will then mature?

Mr. KNOX. After the year 1907 the portion of the circulation secured by the deposit of bonds will be secured by gold coin or bullion or silver bullion only. But it has been said that silver and lead are taken from the same mine and separated by smelting. Why not, then, receive lead or copper or other metals, the same as silver at the market value, as security for bank notes? We answer that long before the Christian era silver had been used as money; that to-day one thousand millions of the population of the globe use silver as money, while four hundred millions of the more intelligent and wealthy and prosperous people use gold.

We have in this an answer, but another answer is that we propose silver bullion as a basis for the reason that the law now upon the statute book obliges the Government to purchase from $2,000,000 to $4,000,000 of silver bullion annually, and there is more prospect that the amount now purchased will be increased than that it will be diminished. Even the Bank of England has authority to hold silver bullion to an amount equal to one-fourth of its reserve. The British silver commission's report of October, 1888, shows that the advanced thought of English financiers favors an increase in the use of silver. They say:

> We think that the best suggestion in relief of the tension of the existing situation is to be found in the issue of small notes based upon silver. These might become the substitutes for the half sovereign, and if they come into general use they would afford a remedy for those difficulties in relation to that coin to which public attention has been prominently called. Twenty-shilling notes might also be issued. If these were put into circulation they would probably pass largely into use without any alteration of the law of legal tender, and we are inclined to think the mint or bank might safely be required to issue such notes to some fixed amount in exchange for silver bullion taken at the average market price; or the Government might issue them upon condition of retaining silver capable of being coined into an equal number of shillings. The market thus opened for silver might check the decline in price of the metal besides producing an economy in the use of gold.

The measure proposed should relieve the Secretary of the Treasury for some years of the necessity of purchasing large amounts. It will show to our kinsmen of the West, who believe we are enemies of silver, that we are its friends—that we have no prejudices against silver as a material for money—that we will join with them in a new use for it, and gradually aid them in lifting up its value in the market, if it can be done in a legitimate manner, that will not disturb the true standard. The bill provides that if the circulation is $300,000,000 the banks may use $105,000,000 of silver bullion at market rates. If this silver should decline 10 per cent. in value, the amount would be reimbursed to the banks by the profit on the total circulation in three and one-half years. If the bullion should rise in the market 10 per cent. the bank would not withdraw the bullion, for the purpose of realizing the rise, because it would lose the profit on circulation not only of the silver bullion, but also on a proportionate part of other circulation. It would not withdraw the bullion, for the reason also, that if, in the judgment of the Comptroller and the Secretary, the rise should be permanent, the bank would have the right to withdraw the excess of silver above the market value. So that it is believed that the $105,000,000 of silver which may be deposited upon a circulation of $300,000,000, will remain permanently in the vaults of the Treasury.

Mr. LACEY, COMPTROLLER OF THE CURRENCY. What provision have you made for the expenses of the office of the Comptroller?

Mr. KNOX. In my opinion, the expenses of the office should be borne by the Government. The total tax on circulation since 1863 has been $68,868,180; the tax on deposits, $60,940,067; on capital, $7,855.887; and the total tax paid to the Government by the banks since the organization of the system has been more than one hundred and thirty-seven and one half millions of dollars ($137,664,135), an enormous amount of tax, in addition to State taxation, without precedent in the history of corporations. The tax on deposits was continued long after other similar internal revenue taxes had been repealed. There has been only a nominal profit upon circulation for the last ten years, and all the other war taxes, except that on whisky and tobacco, were repealed many years ago. There is no explanation for the continuance of the tax upon circulation, except prejudice. The tax on circulation alone, collected from the banks since the year 1883, according to the Comptroller's report, is $16,664,662.43, while the expenses of his office during the last fiscal year were $159,118.97.

The total tax, therefore, on circulation for the last seven years has been *sufficient to pay the current expenses of the Comptroller's office for the next century!* There is, then, no reason why the expenses of the Comptroller's office should not be paid from a general appropriation as are those of other bureaus of the Treasury Department. During the last nine years there has been continually on deposit with the Treasurer more than $20,000,000, for the purpose of retiring circulation, largely owing to the existence of this tax on circulation, which should have been repealed. For more than half this time the deposit has been more than $40,000,000, and during one year more than $100,000,000. At the present time it is $74,604,790. This sum has been at times of great value to the Government in maintaining gold payment. An average allowance of 2 per cent. upon $20,000,000 would produce $400,000 annually, and there is no probability that the amount would fall below this even if the proposed bill should become a law.

This amount, it will be seen, will always be more than sufficient to pay the expenses of the Comptroller's office, including all other expenses for the redemption of the circulating notes of the banks. These expenses, therefore, should be paid by the Government.

ACCOMPANYING TABLES.

Statement of the public debt of the United States for December 31, 1889.

INTEREST-BEARING DEBT.

Title of loan.	Authorizing act.	Rate.	When redeemable.	Interest payable.	Amount outstanding.	Interest due and unpaid.	Accrued interest.
		P. ct.					
Funded loan of 1891.	July 14, 1870, and Jan. 20, 1871.	4½	Sept. 1, 1891	M., J., S., and D.	$121, 367. 700	$305, 686. 01	$455, 128. 87
Funded loan of 1907.	....do..........	4	July 1, 1907	J., A., J., and O.	629, 795. 700	825, 273. 33	6, 297, 957. 00
Refunding certificates.	Feb. 26, 1879 ...	4	....	....do	110, 550	46, 431. 00	1, 105. 50
Navy-pension fund.	July 23, 1868...	3	....	Jan. and July	14, 000, 000	....	210, 000. 00
Bonds issued to Pacific Railroads.*	July 1, 1862, and July 2, 1864.	......	....	....	64, 623, 512	8, 159. 96	1, 938, 705. 36
Aggregate of interest-bearing debt........................					829, 897, 462	1, 185, 550. 30	8, 902, 896. 73

*2,362,000 matures January 16, 1895; $640,000 matures November 1, 1895; average date of maturity, March 19, 1895; $3,680,000 matures January 1, 1896; $4,320,000 matures February 1, 1896; average date of maturity, January 18, 1896; $9,712,000 matures January 1, 1897; $29,904,952 matures January 1, 1898, and $14, 004,560 matures January 1, 1899.

Cash in the Treasury on account of deposit accounts:	
National-bank note redemption fund..	$74, 604, 789. 51
Post-Office and disbursing accounts, etc..	42, 539, 326. 95

DEBT BEARING NO INTEREST.

Old demand notes, July 17, 1861; February 12, 1862..................................		$56, 442. 50
Legal-tender notes, February 25, 1862; July 11, 1862; March 3, 1863		346, 681, 016. 00
Certificates of deposit, June 8, 1872	$9, 570, 000. 00	
Less amount held in Treasurer's cash	570, 000. 00	
		9, 000, 000. 00
Gold certificates, March 3, 1863, and July 12, 1882......................	154, 301, 989. 00	
Less amount held in Treasurer's cash	31, 316, 100. 00	
		122, 985, 889. 00
Silver certificates, February 28, 1878..................................	285, 202, 039. 00	
Less amount held in Treasurer's cash..............................	2, 252, 966. 00	
		282, 949, 073. 00
Fractional currency, July 17, 1862; March 3, 1863; June 30, 1864	15, 290, 066. 47	
Less amount estimated as lost or destroyed, act of June 21, 1879	8, 375, 934. 00	
		6, 914, 132. 47
Aggregate of debt bearing no interest..		768, 586, 552. 97

RECAPITULATION.

	Principal.	Interest.	Total.
Interest-bearing debt	$829, 897, 462. 00	$10, 088, 447. 03	$839, 985, 909. 03
Debt on which interest has ceased since maturity.	1, 844, 625. 26	151, 966. 65	1, 996, 591. 91
Debt bearing no interest	768, 586, 552. 97	....	768, 586, 552. 97
Total debt....................................	1, 600, 328, 640. 23	10, 240, 413. 68	1, 610, 569, 053. 91

Statement of the Comptroller of the Currency showing the amount of national-bank notes outstanding, the amount of lawful money on deposit with the Treasurer United States to redeem national-bank notes, and the kinds and amounts of United States bonds on deposit to secure circulation and public deposits on December 31, 1889.

Amount of outstanding circulation represented by lawful money on deposit with the Treasurer United States to redeem notes:	
Of insolvent national banks	$869,462
Of liquidating national banks	5,852,391
Of national banks reducing circulation under section 4 of the act of June 20, 1874	30,085,971
Of national banks retiring circulation under section 6 of the act of July 12, 1882	32,528,654
Total lawful money on deposit	69,336,478
Circulation based on United States bonds outstanding December 31, 1889	127,742,440
National-bank notes, total circulation outstanding December 31, 1889*	197,078,918

	To secure circulating notes.	To secure public deposits.
United States registered bonds on deposit:		
Pacific railroad bonds, 6 per cent	$4,720,000	$1,211,000
Funded loan of 1891, 4½ percents	40,420,350	8,156,500
Funded loan of 1907, 4 percents	97,709,550	29,181,500
Totals on deposit December 31, 1889	142,849,900	38,549,000

* Circulation of national gold banks, not included in the above, $151,487.

E. S. LACEY,
Comptroller of the Currency.

Profit on circulation after retirement of United States bonds in 1907.

ILLUSTRATION.

Estimated average circulation on which 1 per cent. tax will produce safety fund of $30,000,000 in seventeen years	$200,000,000
Estimated amount of safety fund in 1907	30,000,000
Annual interest on safety fund at 2 per cent	600,000

A bank with capital of $400,000 and circulation of $300,000 would be entitled proportionately to $900 of the interest on the safety fund.

PROFIT ON CIRCULATION.

Proportion of interest on safety fund		$900
Circulation secured by safety fund	90,000	
Deduct 5 per cent. on total circulation of $300,000	15,000	
Leaving loanable circulation	75,000	
$75,000 loaned at 6 per cent. per annum		4,500
Total profit on circulation		5,400
Deduct one-half per cent. tax		1,500
Net profit, 1.30 per cent		3,900

Table showing amount of "national bank redemption fund" in Treasury at the dates given.

Date.		Date.		Date.		Date.	
1874.		1878.		1882.		1886.	
Jan	$2,223,283	Jan	$11,782,090	Jan	$30,023,066	Jan	$42,976,706
Feb	2,776,278	Feb	11,839,305	Feb	30,913,792	Feb	46,951,839
Mar	3,081,323	Mar	11,688,519	Mar	30,713,969	Mar	52,049,007
April	3,120,623	April	12,184,682	April	30,383,935	April	56,826,227
May	3,360,932	May	12,315,257	May	33,340,677	May	58,555,047
June	3,560,162	June	11,552,623	June	35,955,812	June	61,580,662
July	4,798,212	July	11,493,452	July	38,429,202	July	61,922,499
Aug	7,867,254	Aug	10,910,967	Aug	39,017,621	Aug	62,151,745
Sept	11,057,679	Sept	10,294,370	Sept	39,745,163	Sept	62,505,757
Oct	11,707,870	Oct	9,988,127	Oct	39,401,781	Oct	68,828,505
Nov	11,709,402	Nov	9,629,918	Nov	38,423,404	Nov	81,819,233
Dec	12,021,071	Dec	9,935,217	Dec	38,723,848	Dec	88,781,909
1875.		1879.		1883.		1887.	
Jan	11,794,413	Jan	10,573,485	Jan	40,265,049	Jan	91,455,875
Feb	13,152,121	Feb	11,673,960	Feb	40,540,877	Feb	92,806,895
Mar	15,300,850	Mar	12,354,531	Mar	41,084,788	Mar	98,039,485
April	17,593,099	April	12,882,417	April	39,945,249	April	102,114,704
May	18,349,762	May	13,516,558	May	39,368,605	May	103,979,299
June	18,344,941	June	13,203,462	June	39,150,326	June	103,051,871
July	19,709,677	July	12,376,018	July	37,565,704	July	107,588,447
Aug	19,440,077	Aug	13,545,677	Aug	36,310,284	Aug	107,150,847
Sept	18,535,727	Sept	13,258,698	Sept	36,222,005	Sept	104,313,124
Oct	19,300,112	Oct	13,403,261	Oct	37,064,605	Oct	102,962,170
Nov	20,638,642	Nov	13,127,139	Nov	35,993,461	Nov	102,826,136
Dec	21,995,020	Dec	13,381,719	Dec	36,385,055	Dec	109,019,176
1876.		1880.		1884.		1888.	
Jan	21,995,217	Jan	13,613,697	Jan	39,529,507	Jan	103,193,154
Feb	22,648,884	Feb	16,945,310	Feb	41,671,892	Feb	102,024,952
Mar	24,405,780	Mar	18,604,197	Mar	40,532,837	Mar	99,492,361
April	27,627,308	April	18,959,687	April	41,015,561	April	97,427,882
May	28,755,191	May	19,410,910	May	40,571,613	May	95,692,133
June	28,753,462	June	19,882,033	June	39,768,855	June	94,675,310
July	27,581,323	July	20,262,697	July	40,130,513	July	92,719,664
Aug	25,982,339	Aug	20,266,967	Aug	39,913,971	Aug	90,758,447
Sept	23,087,016	Sept	20,153,448	Sept	39,495,690	Sept	88,294,850
Oct	22,532,933	Oct	20,818,363	Oct	40,453,269	Oct	88,236,639
Nov	21,582,936	Nov	21,035,977	Nov	41,719,163	Nov	87,018,909
Dec	20,114,674	Dec	21,500,091	Dec	44,235,274	Dec	86,955,794
1877.		1881.		1885.		1889.	
Jan	19,575,364	Jan	21,523,102	Jan	43,662,568	Jan	87,287,439
Feb	18,160,486	Feb	21,895,977	Feb	42,784,663	Feb	85,688,716
Mar	16,728,336	Mar	38,447,716	Mar	41,888,596	Mar	83,520,212
April	16,146,363	April	38,538,105	April	39,881,941	April	83,032,333
May	15,386,137	May	36,374,320	May	38,468,630	May	83,320,725
June	14,329,272	June	35,653,904	June	38,032,217	June	81,753,704
July	13,940,522	July	33,894,276	July	39,541,757	July	79,134,527
Aug	14,426,746	Aug	33,846,027	Aug	39,503,567	Aug	76,273,662
Sept	14,246,546	Sept	32,675,940	Sept	39,613,802	Sept	73,701,013
Oct	14,438,272	Oct	32,237,394	Oct	40,274,772	Oct	72,437,560
Nov	13,113,091	Nov	31,164,128	Nov	39,542,979	Nov	71,816,130
Dec	11,988,924	Dec	30,438,878	Dec	41,704,029	Dec	74,604,790

The total taxes collected from the national banks by the United States to the end of the fiscal year July 1, 1889.

Years.	On circulation.	On deposits.	On capital.	Totals.
1864	$53, 193. 32	$95, 911. 87	$18, 432. 07	$167, 537. 26
1865	733, 247. 59	1, 087, 530. 86	133, 251. 15	1, 954. 029. 60
1866	2, 109, 785. 30	2, 633, 102. 07	406, 947. 74	5, 146, 835. 81
1867	2, 868, 636. 78	2, 650, 180. 09	321, 881. 36	5, 840, 698. 23
1868	2, 646, 343. 07	2, 564, 143. 44	306, 781. 67	5, 817, 268. 18
1869	2, 957, 416. 73	2, 614, 553. 58	312, 918. 68	5, 884, 888. 99
1870	2, 949, 744. 13	2, 614, 767. 61	375, 962. 26	5, 940, 474. 00
1871	2, 987, 021. 69	2, 802, 840. 85	385, 292. 13	6, 175, 154. 67
1872	3, 193, 570. 03	3, 120, 984. 37	389, 356. 27	6, 703, 910. 67
1873	3, 353, 186. 13	3, 196, 569. 29	454, 891. 51	7, 004, 646. 93
1874	3, 304, 483. 11	3, 209, 967. 72	469, 048. 02	7, 083, 498. 85
1875	3, 283, 450. 89	3, 514, 265. 39	507, 417. 76	7, 305, 134. 04
1876	3, 091, 795. 76	3, 505, 129. 64	632, 296. 16	7, 229, 221. 56
1877	2, 900, 957. 53	3, 451, 965. 38	660, 784. 90	7, 013, 707. 81
1878	2, 948, 047. 08	3, 273, 111. 74	560, 296. 83	6, 781, 455. 65
1879	3, 009, 647. 16	3, 309, 668. 90	401, 920. 61	6, 721, 236. 67
1880	3, 153, 635. 63	4, 058, 710. 61	379, 424. 19	7, 591, 770. 43
1881	3, 121, 374. 33	4, 940, 945. 12	431, 233. 10	8, 493, 552. 55
1882	3, 190, 981. 98	5, 521, 927. 47	437, 774. 90	9, 150, 684. 35
1883	3, 132, 006. 73	*2, 773, 790. 46	*269, 976. 43	6, 175, 773. 62
1884	3, 024, 668. 24			3, 024, 668. 24
1885	2, 794, 584. 01			2, 794, 584. 01
1886	2, 592, 021. 33			2, 592, 021. 33
1887	2, 044, 922. 75			2, 044, 922. 75
1888	1, 616, 127. 33			1, 616, 127. 33
1889	1, 410, 331. 34			1, 410, 331. 34
	68, 868, 179. 97	60, 940, 067. 16	7, 855, 887. 74	137, 664, 134. 87

* Six months to June 1. 1883.

UNITED STATES 4 PER CENT. BONDS (COUPON) DECEMBER, 1889.

Table showing prices of and rates of interest realized to investors in the 4 per cent. securities of the United States redeemable after July 1, 1907, according to daily quotations in the New York market during the month of December.

Date, December, 1889.	Market price, including accrued interest. (Flat.)	Mean price, not including accrued interest. (Net).	Rates of interest realized to investors.
			Per cent.
1	Sunday.	....	....
2	127 to 127¼	126.4346	2.185
3	127 127½	126.5486	2.178
4	127 127½	126.5377	2.179
5	127 127½	126.5267	2.179
6	127 127½	126.5158	2.180
7	127 127½	126.5048	2.180
8	Sunday.	....	....
9	127 to 127½	126.4829	2.181
10	127⅛ 127¼	126.4094	2.185
11	127⅛ 127½	126.5235	2.178
12	127⅛ 127½	126.5125	2.178
13	127⅛ 127½	126.5015	2.179
14	127 127½	126.4281	2.183
15	Sunday.	....	....
16	127 to 127½	126.4062	2.184
17	127 127½	126.3952	2.184
18	127 127½	126.3842	2.185
19	127 127½	126.3733	2.185
20	127 127½	126.3623	2.186
21	127 127½	126.3514	2.186
22	Sunday.	....	....
23	127⅛ to 127½	126 3920	2.183
24	127⅛ 127½	126.3810	2.184
25	Christmas.	....	....
26	127⅛ to 127⅝	126.4216	2.181
27	127¼ 127¾	126.5356	2.174
28	127⅜ 127⅞	126.6497	2.167
29	Sunday.	....	....
30	127⅜ to 127⅞	126.6277	2.168
31	127 128	126.5000	2.175
Average	127.3100	126.4683	2.180

JOS S. MCCOY,
Government Actuary.

UNITED STATES TREASURY DEPARTMENT,
January 6, 1890.

UNITED STATES 4½ PER CENT. BONDS (COUPONS) DECEMBER, 1889.

Table showing prices of and rates of interest realized to investors in the 4½ per cent. securities of the United States redeemable after September 1, 1891, *according to daily quotations in the New York market during the month of December*, 1889.

Date, December, 1889.	Market price, including accrued interest. (Flat.)	Mean price, not including accrued interest. (Net).	Rates of interest realized to investors.
			Per cent.
1	Sunday.		
2	104¾ to 105¼	104.9753	1.699
3	104½ 105	104 7130	1.743
4	104⅝ 105	104.7632	1.710
5	104½ 105	104.6884	1.748
6	104½ 105	104.6760	1.750
7	104½ 105	104.6637	1.753
8	Sunday.		
9	104½ to 105	104.6390	1.759
10	104½ 105	104.6267	1.762
11	104½ 105	104.6144	1.765
12	104½ 105	104.6021	1.768
13	104½ 105	104.5897	1.771
14	104½ 105	104.5774	1.774
15	Sunday.		
16	104½ to 105	104.5527	1.780
17	104½ 105	104.5404	1.783
18	104½ 105	104.5281	1.786
19	104¾ 105	104.6408	1.715
20	104⅝ 105	104.5659	1.755
21	104⅝ 105	104.5536	1.758
22	Sunday.		
23	104¾ to 105¼	104.7164	1.654
24	104¾ 105¼	104.7041	1.656
25	Christmas.		
26	104¾ 105¼	104.6795	1.662
27	104¾ 105¼	104.6670	1.665
28	105 105½	104.9048	1.520
29	Sunday.		
30	105 to 105½	104.8801	1.525
31	105 105½	104.8678	1.528
	104.8725	104.6772	1.712

UNITED STATES TREASURY DEPARTMENT,
January 4, 1890.

JOS. S. MCCOY,
Government Actuary.

The computations of the Government actuary in the following tables were extended to payments based on other rates of interest, and cover an exchange of fours for 2 per cent. as well as 2½ per cent. bonds:

Present value of $1.50 a year for nineteen years re-invested quarterly at the following rates of interest per annum.		Corresponding difference in interest on $738,000,000 reduced from 4 per cent. to 2½ per cent. per annum.	Present value of $2 a year for nineteen years re-invested quarterly at the following rates of interest per annum.		Corresponding difference in interest on $738,000,000 reduced from 4 per cent. to 2 per cent. per annum.
2 per cent	$23.66181	$174,624,150	2 per cent	$31.54908	$232,832,200
2½ per cent	22.63168	167,021,800	2½ per cent	30.17557	222,695,700
3 per cent	21.66352	159,876,800	3 per cent	28.88470	213,169,100
4 per cent	19.89618	146,833,800	4 per cent	26.52824	195,778.400
5 per cent	18.32925	135,269,850	5 per cent	24.43900	180,359,800

UNITED STATES TREASURY DEPARTMENT,
September 26, 1887.

E. B. ELLIOTT,
Government Actuary.

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